

CORNING COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

June 30, 2004

DRAFT COPY FOR REVIEW  
AND DISCUSSION  
PURPOSES ONLY



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CORNING COMMUNITY SCHOOL DISTRICT

**OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**Board of Education**  
(Before September, 2003 Election)

Nancy Turner	President	2005
Gary Goldsmith	Board Member	2003
Ralph Morales	Board Member	2003
Reldon Ramsey	Board Member	2004
Andy Rubenking	Board Member	2005

**Board of Education**  
(After September, 2003 Election)

Nancy Turner	President	2005
Reldon Ramsey	Board Member	2004
Andy Rubenking	Board Member	2005
Gary Goldsmith	Board Member	2006
Ralph Morales	Board Member	2006

**School Officials**

Mike Wells	Superintendent	2004
Karla Geyer	District Secretary/Treasurer	2004
Rick Engel	Attorney	Indefinite



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## Independent Auditor's Report

To the Board of Education  
Corning Community School District  
Corning, Iowa

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Corning Community School District, Corning, Iowa, and its aggregate discretely presented component units as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Corning Community School District and its aggregate discretely presented component units as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 9 to the financial statements, during the year ended June 30, 2004, Corning Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 39, Determining Whether Certain Organizations Are Component Units; Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Governmental Auditing Standards, we have also issued our reports dated September 14, 2004, on our consideration of the Corning Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 15 and 50 through 52 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Corning Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003, (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 and 5 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Van Maanen & Associates, P.C.  
Certified Public Accountants

September 14, 2004

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Corning Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

### Financial Highlights

- General Fund revenues increased from \$4,369,425 in fiscal 2003 to \$4,483,288 in fiscal 2004, while General Fund expenditures decreased from \$4,223,481 in fiscal 2003 to \$4,133,530 in fiscal 2004. This resulted in an increase in the District's General Fund balance from \$816,976 in fiscal 2003 to \$1,167,004 in fiscal 2004, a 43 percent increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in federal and state grant revenue in 2004. The decrease in expenditures was due primarily to a reduction in staff of 1.5 fulltime equivalent (FTE) teaching staff and one (1) special education aide and (1) part-time custodial position. The District offered early retirement benefits which resulted in five teachers and one secretary retiring.
- Overall, the District net assets increased in the governmental activities by \$317,612, and increased in the business type activities by \$11,882, respectively.

## Overview of the Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *Government-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the Government-wide statements.
- The statements for *governmental funds* explain how basic services, such as regular and special education, were financed in the short term as well as what remains for future spending.
- The statements for *proprietary funds* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.
- The statements for *fiduciary funds* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

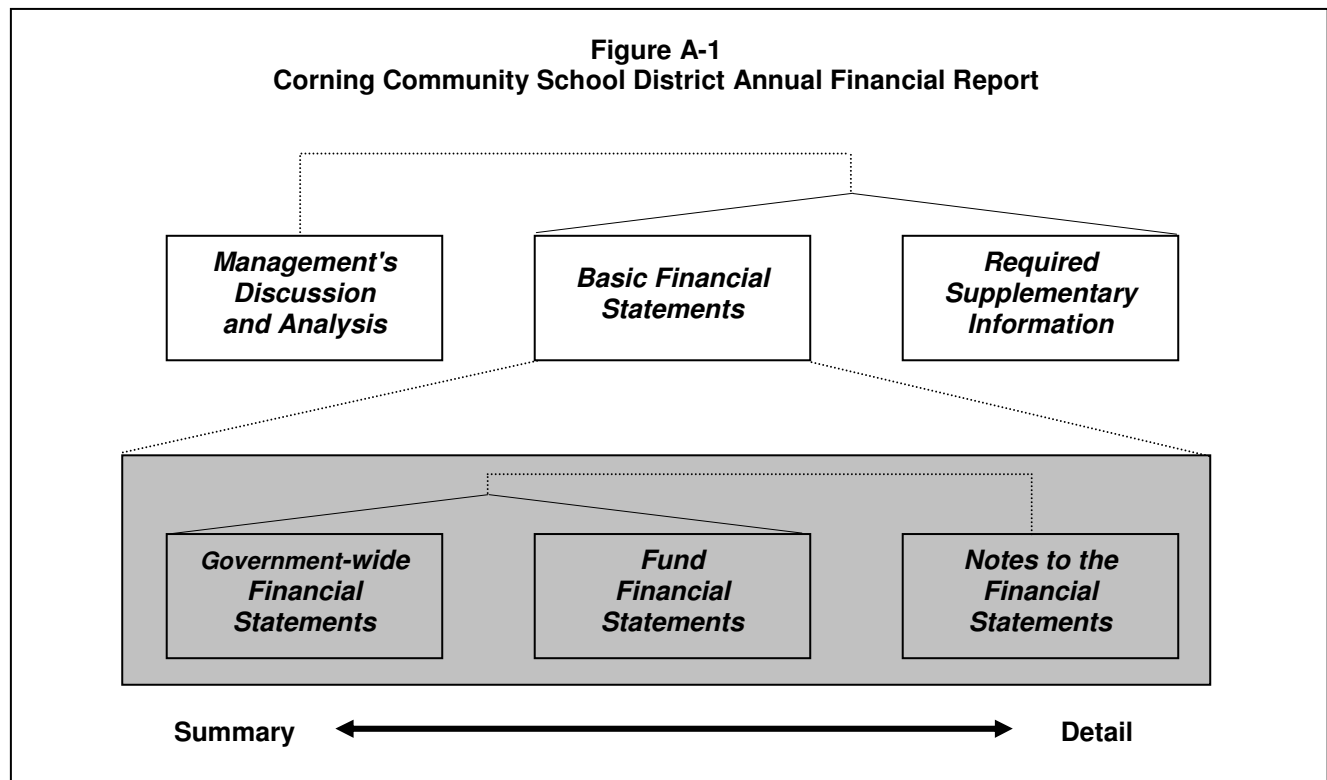




Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

<b>Figure A-2</b> <b>Major Features of the Government-wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## Government-wide Statements

The Government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two Government-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the Government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

## Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.
  - The District's governmental funds include the General Fund, Special Revenue Funds, and Debt Service Fund.
- *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the Government-wide statements.

- The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.
- *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency funds.
  - Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
  - Agency Fund – These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employees' purchases for the Hearts and Flowers fund and for the CMEA (Education Association) fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the Government-wide financial statements because it cannot use these assets to finance its operations.

### Financial Analysis of the District as a Whole

**Net assets** - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2004.

<b>Figure A-3</b>							
<b>Condensed Statement of Net Assets</b>							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2004	2003	2004	2003	2004	2003	2003-2004
Current and other assets	\$ 3,986,000	3,570,000	\$ 63,000	47,000	\$ 4,049,000	3,617,000	11.9%
Capital assets	3,039,000	3,115,000	34,000	39,000	3,073,000	3,154,000	-2.6%
Total assets	7,025,000	6,685,000	97,000	86,000	7,122,000	6,771,000	5.2%
Long-term liabilities	1,509,000	1,379,000	-	-	1,509,000	1,379,000	9.4%
Other liabilities	2,355,000	2,463,000	-	-	2,355,000	2,463,000	-4.4%
Total liabilities	3,864,000	3,842,000	-	-	3,864,000	3,842,000	0.6%
Net assets:							
Invested in capital assets, net of related debt	2,052,000	1,820,000	34,000	39,000	2,086,000	1,859,000	12.2%
Restricted	234,000	305,000	-	-	234,000	305,000	-23.3%
Unrestricted	875,000	718,000	63,000	47,000	938,000	765,000	22.6%
Total net assets	\$ 3,161,000	2,843,000	\$ 97,000	86,000	\$ 3,258,000	2,929,000	11.2%

**Changes in net assets** – Figure A-4 shows the changes in net assets for the year ended June 30, 2004.

<b>Figure A-4</b>			
<b>Changes in Net Assets</b>			
	<b>Governmental Activities</b>	<b>Business type Activities</b>	<b>Total District</b>
Revenues:			
Program revenues:			
Charges for service	\$ 405,000	87,000	492,000
Operating grants, contributions and restricted interest	721,000	107,000	828,000
Capital grants, contributions and restricted interest	-	-	-
General revenues:			-
Property tax	1,813,000	-	1,813,000
Local option sales and service tax	152,000	-	152,000
Unrestricted state grants	2,171,000	-	2,171,000
Unrestricted investment earnings	9,000	-	9,000
Other	4,000	-	4,000
Total revenues	<u>5,275,000</u>	<u>194,000</u>	<u>5,469,000</u>
Program expenses:			
Governmental activities:			
Instruction	3,292,000	-	3,292,000
Support services	1,313,000	-	1,313,000
Non-instructional programs	12,000	183,000	195,000
Other expenses	340,000	-	340,000
Total expenses	<u>4,957,000</u>	<u>183,000</u>	<u>5,140,000</u>
Change in net assets	<u>\$ 318,000</u>	<u>11,000</u>	<u>329,000</u>

Property tax and unrestricted state grants account for 73 percent of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 90 percent of the total expenses.

### **Governmental Activities**

Revenues for governmental activities were approximately \$5,275,000 and expenses were approximately \$4,957,000.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

<b>Figure A-5</b>		
<b>Total and Net Cost of Governmental Activities</b>		
	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
Instruction	\$ 3,292,000	2,398,000
Support services	1,313,000	1,261,000
Non-instructional programs	12,000	12,000
Other expenses	340,000	161,000
Totals	<u>\$ 4,957,000</u>	<u>3,832,000</u>

- The cost financed by users of the District's programs was \$404,659.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$720,973.
- The net cost of governmental activities was financed with \$1,813,402 in property tax, \$152,405 in local option sales and service tax, \$2,171,297 in state foundation aid, \$8,774 in interest income, and \$4,512 in other general revenues.

### **Business Type Activities**

Revenues of the District's business type activities were \$194,559 and expenses were \$182,677. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

### **Financial Analysis of the District's Funds**

As previously noted, the Corning Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The strong financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,542,885, above last year's ending fund balances of \$1,174,811. The primary reason for the increase in combined fund balances in fiscal 2004 was due to the reduction in expenses.

### **Governmental Fund Highlights**

- The General Fund balance increased from \$816,976 to \$1,167,004. The District's growing General Fund financial position is the product of many factors. An increase during the year in local sources and federal grants resulted in an increase in revenues. The District decreased in General Fund expenditures due to the reduction in staff.
- The Physical Plant and Equipment Levy (PEEL) Fund balance increased from \$144,072 in fiscal 2003 to \$146,680 in fiscal 2004.
- The Capital Projects Fund balance is \$152,405 due to the Local Option Sales and Service Tax beginning in fiscal 2004.
- The Management Fund balance decreased from \$64,834 in fiscal year 2003 to (\$20,158) in fiscal 2004 due to the early retirement of 4 teachers and 1 secretary.

### **Proprietary Fund Highlights**

The School Nutrition Fund net assets increased from \$85,252 in fiscal 2003 to \$97,134 in fiscal 2004, representing an increase of approximately 14 percent.

## Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except its private-purpose trust and agency funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the modified accrual basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 50-51.

### Legal Budgetary Highlights

The District's total actual receipts were \$296,810 more than the total budgeted receipts, a variance of 6%. The most significant change resulted from the District receiving additional federal and state grant revenue.

Total expenditures were less than budgeted due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year.

## Capital Asset and Debt Administration

### Capital Assets

At June 30, 2004, the District had invested \$3,073,740, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year exceeded \$189,000.

The original cost of the District's capital assets was \$6,231,212. Governmental funds account for \$6,145,718 with the remainder of \$85,494 in the Proprietary, School Nutrition Fund.

<b>Figure A-6</b>							
<b>Capital Assets, net of Depreciation</b>							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2004	2003	2004	2003	2004	2003	2003-2004
Land	\$ 153,000	153,000	\$ -	-	\$ 153,000	153,000	0.0%
Construction in progress	-	-	-	-	-	-	-
Buildings	2,497,000	2,570,000	-	-	2,497,000	2,570,000	-2.8%
Improvements other than buildings	60,000	69,000	-	-	60,000	69,000	-13.0%
Furniture and equipment	329,000	323,000	34,000	39,000	363,000	362,000	0.3%
Totals	\$ 3,039,000	3,115,000	\$ 34,000	39,000	\$ 3,073,000	3,154,000	-2.6%

## Long-Term Debt

At June 30, 2004, the District had \$1,140,000, in general obligation bonds and \$369,109 for early retirement obligations. This represents an increase of approximately 9.4 percent from last year. More detailed information about the District's long-term liabilities is available in Note 4 to the financial statements.

<b>Figure A-7</b>			
<b>Outstanding Long-Term Obligations</b>			
	Total District June 30,		Total Change June 30,
	2004	2003	2003-2004
General obligation bonds	\$ 1,140,000	1,295,000	-12.0%
Early retirement	369,000	84,000	339.3%
Totals	\$ 1,509,000	1,379,000	9.4%

## Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Historically, the District has entered into annual contracts with its collective bargaining unit. The District will negotiate new agreements during fiscal 2005. Settlements in excess of new money or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance. Corresponding cost reductions will be made to offset the cost of negotiated settlements and other cost increases.
- The national recession that has adversely impacted the State of Iowa's budget has translated into reduced levels of state aid funding for education.
- Increased health insurance cost has and will continue to impact the District.

## Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jodi Lyddon, District Secretary/Treasurer and Business Manager, Corning Community School District, PO Box 229, Corning, Iowa, 50841.

**Corning Community School District**



## **Basic Financial Statements**

**Corning Community School District**

CORNING COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
June 30, 2004

	Governmental Activities	Business type Activities	Total	Component Units
<b>Assets</b>				
Cash and cash equivalents	\$ 1,938,263	61,527	1,999,790	67,552
Receivables:				
Property tax:				
Delinquent	26,675	-	26,675	-
Succeeding year	1,905,620	-	1,905,620	-
Accounts	42,685	-	42,685	-
Accrued interest	157	-	157	-
Due from other governments	72,112	-	72,112	-
Inventories	-	1,209	1,209	-
Capital assets, net of accumulated depreciation (note 3)	3,039,342	34,398	3,073,740	-
<b>Total assets</b>	<b>7,024,854</b>	<b>97,134</b>	<b>7,121,988</b>	<b>67,552</b>
<b>Liabilities</b>				
Excess of warrants over bank balance	65,760	-	65,760	-
Accounts payable	41,818	-	41,818	-
Salaries and benefits payable	332,268	-	332,268	-
Accrued interest payable	9,975	-	9,975	-
Deferred revenue:				
Succeeding year property tax	1,905,620	-	1,905,620	-
Long-term liabilities (note 4):				
Portion due within one year:				
Bonds payable	165,000	-	165,000	-
Early retirement	97,161	-	97,161	-
Portion due after one year:				
Bonds payable	975,000	-	975,000	-
Early retirement	271,948	-	271,948	-
<b>Total liabilities</b>	<b>3,864,550</b>	<b>-</b>	<b>3,864,550</b>	<b>-</b>
<b>Net assets</b>				
Invested in capital assets, net of related debt	2,051,747	34,398	2,086,145	-
Restricted for:				
Management levy	-	-	-	-
Debt service	22,247	-	22,247	-
Physical plant and equipment levy	146,680	-	146,680	-
Other special revenue purposes	64,732	-	64,732	-
Unrestricted	874,898	62,736	937,634	67,552
<b>Total net assets</b>	<b>\$ 3,160,304</b>	<b>97,134</b>	<b>3,257,438</b>	<b>67,552</b>

See notes to financial statements.

## Exhibit B

CORNING COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2004

		Program Revenues		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	Expenses			
<b>Functions/Programs</b>				
Governmental activities:				
Instruction:				
Regular instruction	\$ 2,134,850	158,605	295,373	-
Special instruction	671,371	85,346	173,723	-
Other instruction	486,129	160,708	20,557	-
	3,292,350	404,659	489,653	-
Support Service:				
Student services	234,693	-	-	-
Instructional staff services	43,795	-	-	-
Administration services	485,484	-	-	-
Operating and maintenance of plant services	327,434	-	51,907	-
Transportation services	221,837	-	-	-
	1,313,243	-	51,907	-
Non-instructional programs				
	12,393	-	-	-
Other expenditures:				
Facilities acquisition	94,677	-	-	-
Long-term debt interest	66,334	-	-	-
AEA flowthrough	179,413	-	179,413	-
	340,424	-	179,413	-
Total governmental activities				
	4,958,410	404,659	720,973	-
Business type activities:				
Non-instructional programs:				
Nutrition services	182,677	87,507	107,003	-
	182,677	87,507	107,003	-
Total primary government				
	\$ 5,141,087	492,166	827,976	-
Component Units:				
Program expense	\$ 16,339	-	5,090	-
Management and general expense	285	-	-	-
Fund raising expense	28,141	-	62,377	-
Total component units	\$ 44,765	-	67,467	-

Exhibit B

Net (Expense) Revenue and Changes in Net Assets			
Governmental Activities	Business type Activities	Total	Component Units
(1,680,872)	-	(1,680,872)	-
(412,302)	-	(412,302)	-
(304,864)	-	(304,864)	-
(2,398,038)	-	(2,398,038)	-
(234,693)	-	(234,693)	-
(43,795)	-	(43,795)	-
(485,484)	-	(485,484)	-
(275,527)	-	(275,527)	-
(221,837)	-	(221,837)	-
(1,261,336)	-	(1,261,336)	-
(12,393)	-	(12,393)	-
(94,677)	-	(94,677)	-
(66,334)	-	(66,334)	-
-	-	-	-
(161,011)	-	(161,011)	-
(3,832,778)	-	(3,832,778)	-
-	11,833	11,833	-
-	11,833	11,833	-
(3,832,778)	11,833	(3,820,945)	-
-	-	-	(11,249)
-	-	-	(285)
-	-	-	34,236
-	-	-	22,702

Exhibit B

CORNING COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2004

Continued from previous page

**General Revenues:**

Totals from pages 20 and 21

Property tax levied for:

    General purposes

    Debt service

    Capital outlay

Local option sales and services tax

Unrestricted state grants

Unrestricted investment earnings

Other

Gifts to Corning Community School District

Gain on sale of assets

Total general revenues

Change in net assets

Net assets beginning of year, as restated (note 9)

Net assets end of year

	Program Revenues		
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Expenses			
Totals from pages 20 and 21	\$ 5,141,087	492,166	827,976
Property tax levied for:			
General purposes			
Debt service			
Capital outlay			
Local option sales and services tax			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
Gifts to Corning Community School District			
Gain on sale of assets			
Total general revenues			
Change in net assets			
Net assets beginning of year, as restated (note 9)			
Net assets end of year			

See notes to financial statements.

Exhibit B

Net (Expense) Revenue and Changes in Net Assets			
Governmental Activities	Business type Activities	Total	Component Units
(3,832,778)	11,833	(3,820,945)	22,702
1,462,544	-	1,462,544	-
222,454	-	222,454	-
128,404	-	128,404	-
152,405	-	152,405	-
2,171,297	-	2,171,297	-
8,774	49	8,823	297
4,242	-	4,242	-
-	-	-	(7,602)
270	-	270	-
4,150,390	49	4,150,439	(7,305)
317,612	11,882	329,494	15,397
2,842,692	85,252	2,927,944	52,155
\$ 3,160,304	97,134	3,257,438	67,552

CORNING COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2004

	General	Management	Debt Service
<b>Assets and Other Debits</b>			
Cash and pooled investments	\$ 1,466,513	106,870	37,615
Receivables:			
Property tax:			
Current year delinquent	20,276	1,250	3,260
Succeeding year	1,461,604	200,001	115,952
Accounts	42,685	-	-
Accrued interest	-	-	-
Due from other governments	32,167	-	-
<b>Total assets and other debits</b>	<b>\$ 3,023,245</b>	<b>308,121</b>	<b>156,827</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Excess of outstanding warrants over bank balance	\$ 27,136	29,971	8,653
Accounts payable	35,233	1,146	-
Salaries and benefits payable	332,268	-	-
Early retirement payable (note 4)	-	97,161	-
Deferred revenue:			
Succeeding year property tax	1,461,604	200,001	115,952
Total liabilities	1,856,241	328,279	124,605
Fund balances:			
Reserved for:			
Debt service	-	-	32,222
Unreserved:			
Undesignated	1,167,004	(20,158)	-
Total fund balances	1,167,004	(20,158)	32,222
<b>Total liabilities and fund balances</b>	<b>\$ 3,023,245</b>	<b>308,121</b>	<b>156,827</b>

See notes to financial statements.



Exhibit C

Capital Projects	Nonmajor Special Revenue	Total
137,424	189,841	1,938,263
-	1,889	26,675
-	128,063	1,905,620
-	-	42,685
-	157	157
14,981	24,964	72,112
152,405	344,914	3,985,512
-	-	65,760
-	5,439	41,818
-	-	332,268
-	-	97,161
-	128,063	1,905,620
-	133,502	2,442,627
-	-	32,222
152,405	211,412	1,510,663
152,405	211,412	1,542,885
152,405	344,914	3,985,512

CORNING COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
June 30, 2004

<b>Total fund balances of governmental funds (pg. 25)</b>	\$ 1,542,885
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***Amounts reported for governmental activities in the statement of net assets are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	3,039,342
--	-----------

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(9,975)
--	---------

Long-term liabilities, including bonds payable and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(1,411,948)</u>
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<b>Net assets of governmental activities (pg. 19)</b>	<u><u>\$ 3,160,304</u></u>
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See notes to financial statements.

Corning Community School District

CORNING COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2004

	General	Management	Debt Service
Revenues:			
Local sources:			
Local tax	\$ 1,377,634	84,910	222,454
Tuition	231,150	-	-
Other	16,077	373	471
State sources	2,570,814	590	1,539
Federal sources	287,613	-	-
Total revenues	4,483,288	85,873	224,464
Expenditures:			
Current:			
Instruction:			
Regular instruction	1,660,573	72,944	-
Special instruction	811,822	-	-
Other instruction	326,578	-	-
	2,798,973	72,944	-
Support services:			
Student services	224,204	10,125	-
Instructional staff services	31,178	-	-
Administration services	453,739	23,429	-
Operation and maintenance of plant services	290,031	31,780	-
Transportation services	155,992	20,194	-
	1,155,144	85,528	-
Non-instructional programs	-	12,393	-
Other expenditures:			
Facilities acquisition	-	-	-
Long-term debt:			
Principal	-	-	155,000
Interest and fiscal charges	-	-	67,690
AEA flowthrough	179,413	-	-
	179,413	-	222,690
Total expenditures	4,133,530	170,865	222,690
Excess (deficiency) of revenues over (under) expenditures	349,758	(84,992)	1,774
Other financing sources:			
Sale of equipment	270	-	-
Total other financing sources	270	-	-
Net change in fund balances	350,028	(84,992)	1,774
Fund balances beginning of year	816,976	64,834	30,448
Fund balances end of year	\$ 1,167,004	(20,158)	32,222

See notes to financial statements.

Exhibit E

Capital Projects	Nonmajor Special Revenue	Total
152,405	128,404	1,965,807
-	-	231,150
-	165,462	182,383
-	892	2,573,835
-	34,964	322,577
152,405	329,722	5,275,752
-	-	1,733,517
-	-	811,822
-	161,406	487,984
-	161,406	3,033,323
-	-	234,329
-	-	31,178
-	-	477,168
-	9,700	331,511
-	52,313	228,499
-	62,013	1,302,685
-	-	12,393
-	100,177	100,177
-	-	155,000
-	-	67,690
-	-	179,413
-	100,177	502,280
-	323,596	4,850,681
152,405	6,126	425,071
-	-	270
-	-	270
152,405	6,126	425,341
-	205,286	1,117,544
152,405	211,412	1,542,885

CORNING COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 Year ended June 30, 2004

**Net change in fund balances - total governmental funds (pg. 29)** **\$ 425,341**

***Amounts reported for governmental activities in the  
 statement of activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 104,881	
Depreciation expense	<u>(180,597)</u>	(75,716)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.

155,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

1,356

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement		<u>(188,369)</u>
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**Change in net assets of governmental activities (pg. 23)**

**\$ 317,612**

See notes to financial statements.

CORNING COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
June 30, 2004

	<u>School Nutrition</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 61,527
Inventories	1,209
Capital assets, net of accumulated depreciation	<u>34,398</u>
<b>Total assets</b>	<u>97,134</u>
<b>Liabilities</b>	
Accounts payable	<u>-</u>
<b>Total liabilities</b>	<u>-</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	34,398
Unrestricted	<u>62,736</u>
<b>Total net assets</b>	<u><u>\$ 97,134</u></u>

See notes to financial statements.

CORNING COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
 PROPRIETARY FUND  
 Year ended June 30, 2004

	<u>School Nutrition</u>
Operating revenues:	
Local sources	
Charges for service	<u>\$ 87,507</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries and benefits	68,448
Benefits	18,847
Purchased services	1,287
Supplies	85,058
Depreciation	9,037
Total operating expenses	<u>182,677</u>
Operating loss	<u>(95,170)</u>
Non-operating revenues:	
State sources	3,333
Federal sources	103,670
Local sources	49
Total non-operating revenues	<u>107,052</u>
Changes in net assets	11,882
Net assets beginning of year	<u>85,252</u>
Net assets end of year	<u><u>\$ 97,134</u></u>

See notes to financial statements.



CORNING COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
Year ended June 30, 2004

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 87,507
Cash payments to employees for services	(87,295)
Cash payments to suppliers for goods or services	(72,356)
Net cash used by operating activities	(72,144)
Cash flows from non-capital financing activities:	
State grants received	3,333
Federal grants received	91,014
Net cash provided by non-capital financing activities	94,347
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(4,876)
Cash flows from investing activities:	
Interest on investments	49
Net increase in cash and cash equivalents	17,376
Cash and cash equivalents at beginning of year	44,151
Cash and cash equivalents at end of year	\$ 61,527
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (95,170)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:	
Commodities used	12,656
Depreciation	9,037
Decrease in inventories	1,421
Decrease in accounts payable	(88)
Net cash used by operating activities	\$ (72,144)
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on Statement of Net Assets:</b>	
Current assets:	
Cash and investments	\$ 61,527
Cash and cash equivalents at year end	\$ 61,527

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2004, the District received federal commodities valued at \$12,656.

See notes to financial statements.

CORNING COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
June 30, 2004

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Cash and pooled investments	\$ 69,657	2,583
Accrued interest receivable	51	-
<b>Total assets</b>	<u>69,708</u>	<u>2,583</u>
<b>Liabilities</b>		
Accounts payable	-	2,583
<b>Total liabilities</b>	<u>-</u>	<u>2,583</u>
<b>Net assets</b>		
Reserved for scholarships	<u>\$ 69,708</u>	<u>-</u>

See notes to financial statements.

Exhibit K

CORNING COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
Year ended June 30, 2004

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 901
Interest income	18,291
Total additions	<u>19,192</u>
Deductions:	
Support services:	
Scholarships awarded	<u>4,010</u>
Change in net assets	15,182
Net assets beginning of year	<u>54,526</u>
Net assets end of year	<u><u>\$ 69,708</u></u>

See notes to financial statements.

CORNING COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS - COMPONENT UNITS  
June 30, 2004

	Corning Music Boosters	Corning PTA	Corning Sports Boosters	Total
<b>Assets</b>				
Cash and pooled investments	\$ 7,931	1,959	57,662	67,552
<b>Total assets</b>	<u>\$ 7,931</u>	<u>1,959</u>	<u>57,662</u>	<u>67,552</u>
<b>Net Assets</b>				
Unrestricted	<u>\$ 7,931</u>	<u>1,959</u>	<u>57,662</u>	<u>67,552</u>

See notes to financial statements.

CORNING COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS - COMPONENT UNITS  
June 30, 2004

	Corning Music Boosters	Corning PTA	Corning Sports Boosters	Total
Operating revenues:				
Contributions	\$ -	-	2,350	2,350
Membership dues	-	-	2,740	2,740
Fundraising	21,753	-	40,624	62,377
Total operating revenues	21,753	-	45,714	67,467
Operating expenses:				
Program expenses	1,215	-	15,124	16,339
Management and general expenses	-	-	285	285
Fund raising expenses	11,282	-	16,859	28,141
Total operating expenses	12,497	-	32,268	44,765
Operating income	9,256	-	13,446	22,702
Non-operating revenues (expenses):				
Interest income	-	15	282	297
Gifts to Corning Community School District	(3,602)	-	(4,000)	(7,602)
Net non-operating revenues (expenses)	(3,602)	15	(3,718)	(7,305)
Changes in net assets	5,654	15	9,728	15,397
Net assets beginning of year	2,277	1,944	47,934	52,155
Net assets end of year	\$ 7,931	1,959	57,662	67,552

See notes to financial statements.

## CORNING COMMUNITY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

June 30, 2004

#### (1) Summary of Significant Accounting Policies

Corning Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Corning, Iowa, and the predominate agricultural territory in Adams and Taylor counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

##### A. Reporting Entity

For financial reporting purposes, Corning Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

These financial statements present Corning Community School District (the primary government) and its component units. The components units discussed below are included in the District's reporting entity because of the significance of their operational or financial relationships with the District.

##### Discrete Component Units

Corning Music Boosters is a legally separate not-for-profit entity. Corning Music Boosters was established for the purpose of providing additional educational opportunities for the students of Corning Community School District. Although the District does not control the timing or amount of receipts from Corning Music Boosters, the majority of the resources that are held are used for the benefit of Corning Community School District.

Corning PTA is a legally separate not-for-profit entity. Corning PTA was established for the purpose of providing additional educational opportunities for the students and faculty of Corning Community School District. Although the District does not control the timing or amount of receipts from Corning PTA, the majority of the resources that are held are used for the benefit of Corning Community School District.

Corning Sports Boosters is a legally separate not-for-profit entity. Corning Sports Boosters was established for the purpose of providing additional athletic opportunities and facilities for the students of Corning Community School District. Although the District does not control the timing or amount of receipts from Corning Sports Boosters, the majority of the resources that are held are used for the benefit of Corning Community School District.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Adams County Assessor's Conference Board.

CORNING COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

B. Basis of Presentation

Government-wide financial statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Management Fund is used to account for revenues derived from specific sources which are usually required by law or regulation to be accounted for in a separate fund.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

CORNING COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary fund includes the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organization and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.



CORNING COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

---

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2003.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

# CORNING COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business type activities columns in the Government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>	
Land	\$ 1,000	
Buildings	1,000	
Improvements other than buildings	1,000	
Furniture and equipment:		
School Nutrition Fund equipment	1,000	
Other furniture and equipment		1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

CORNING COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements did not exceed the amounts budgeted.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District's investments are categorized to give an indication of the level of risk assumed by the District at June 30, 2004. The categories are described as follows:

- Category 1 Insured or registered with securities held by the District or its agent.
- Category 2 Uninsured and unregistered with securities held by the counterparty's trust department or agent.
- Category 3 Uninsured and unregistered with securities held by the counterparty or agent.

The District's investments at June 30, 2004 are as follows:

Type	Fair Value	Risk Categorization
Okey Vernon First National Bank Certificates of Deposit	\$ 44,991	1
State Bank of Brooks Certificate of Deposit	12,823	1
First Federal Savings and Loan Certificate of Deposit	10,000	1
Wisconsin Electric Co. Stock	11,730	1
Verizon Corporation Stock	4,415	1
Iowa Schools Joint Investment Trust	1,851,355	N/A
Total	<u>\$1,935,314</u>	

CORNING COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

The District investment in Wisconsin Electric Company common stock and Verizon Corporation common stocks relates to a gift of the stocks as a scholarship investment. Terms of the gift require the school to hold the stock permanently and the dividends received are to be used for the Effie Akin Award.

The District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$1,851,355 pursuant to Rule 2a-7 under the Investment Company Act of 1940. Governmental Accounting Standards Board Statement Number 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year end. The District's investment in the Iowa Schools Joint Investment Trust is not subject to risk categorization.

# CORNING COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS June 30, 2004

### (3) Capital Assets

Capital assets activity for the year ended June 30, 2004 is as follows:

	Balance beginning of year, as restated (note 9)	Increases	Decreases	Balance end of year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 153,489	-	-	153,489
Total capital assets not being depreciated	<u>153,489</u>	<u>-</u>	<u>-</u>	<u>153,489</u>
Capital assets being depreciated:				
Buildings	3,991,611	-	-	3,991,611
Improvements other than buildings	437,128	5,500	-	442,628
Furniture and equipment	1,458,609	99,381	-	1,557,990
Total capital assets being depreciated	<u>5,887,348</u>	<u>104,881</u>	<u>-</u>	<u>5,992,229</u>
Less accumulated depreciation for:				
Buildings	1,421,529	73,172	-	1,494,701
Improvements other than buildings	368,339	14,022	-	382,361
Furniture and equipment	1,135,911	93,403	-	1,229,314
Total accumulated depreciation	<u>2,925,779</u>	<u>180,597</u>	<u>-</u>	<u>3,106,376</u>
Total capital assets being depreciated, net	<u>2,961,569</u>	<u>(75,716)</u>	<u>-</u>	<u>2,885,853</u>
Governmental activities capital assets, net	<u>\$ 3,115,058</u>	<u>(75,716)</u>	<u>-</u>	<u>3,039,342</u>
<b>Business type activities:</b>				
Furniture and equipment	\$ 180,779	4,876	(100,161)	85,494
Less accumulated depreciation	<u>142,220</u>	<u>9,037</u>	<u>(100,161)</u>	<u>51,096</u>
Business type activities capital assets, net	<u>\$ 38,559</u>	<u>(4,161)</u>	<u>-</u>	<u>34,398</u>

Depreciation expense was charged to the following functions:

<b>Governmental activities:</b>	
Instruction:	
Regular	\$ 89,539
Special	8,134
Other	10,966
Support services:	
Student	364
Instructional staff	12,617
Administration	8,316
Operation and maintenance	5,010
Transportation	<u>45,651</u>
Total depreciation expense - governmental activities	<u>\$ 180,597</u>
<b>Business type activities:</b>	
Food service operations	<u>\$ 9,037</u>

CORNING COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

**(4) Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2004 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 1,295,000	-	155,000	1,140,000	165,000
Early retirement	122,103	285,530	38,524	369,109	97,161
	<u>\$ 1,417,103</u>	<u>285,530</u>	<u>193,524</u>	<u>1,509,109</u>	<u>262,161</u>

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-nine and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 25% of the District's base salary calculated by using the current year regular salary schedule. Early retirement benefits paid during the year ended June 30, 2004, totaled \$38,524.

General Obligation Bonds Payable

Details of the District's June 30, 2004 general obligation bonded indebtedness are as follows:

Bond Issue of February 28, 2000				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2005	5.25%	\$ 165,000	59,552	224,552
2006	5.25%	175,000	50,890	225,890
2007	5.25%	185,000	41,702	226,702
2008	5.15%	195,000	31,990	226,990
2009	5.20%	205,000	21,947	226,947
2010	5.25%	215,000	11,288	226,288
(5) Total		<u>\$ 1,140,000</u>	<u>217,369</u>	<u>1,357,369</u>

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002, were \$153,151, \$151,053, and \$148,606, respectively, equal to the required contributions for each year.

CORNING COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

**(6) Risk Management**

Corning Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(7) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$179,413 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(8) Deficit Fund Balance**

The Management Fund has a deficit fund balance of \$20,158 as of June 30, 2004.

**(9) Accounting Change and Restatements**

Governmental Accounting Standards Board Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, was implemented for the year ended June 30, 2004. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 39, Determining Whether Certain Organizations Are Component Units; and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The significant change in the financial statements due to Statement No. 39 includes reporting the financial statements of Corning Music Boosters, Corning PTA, and Corning Sports Boosters as discretely presented component units. Since the component units are discretely presented, there is no change in the District's previously reported net assets.

The government-wide financial statements separate the District's programs between governmental and business type activities. The beginning net assets for governmental activities has been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

# CORNING COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2004

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	Fund					Total
	General	Management	Debt Service	Capital Projects	Nonmajor Special Revenue	
Net assets, June 30, 2003 as previously reported	\$ 816,976	64,834	30,448	-	205,286	1,117,544
GASB Interpretation 6 adjustments	-	-	-	-	-	-
Net assets, July 1, 2003, as restated for governmental funds	<u>\$ 816,976</u>	<u>64,834</u>	<u>30,448</u>	<u>-</u>	<u>205,286</u>	<u>1,117,544</u>
GASB 34 adjustments:						
Capital assets, net of accumulated depreciation of \$2,925,779						3,115,058
Long-term liabilities:						
Bonds and notes					1,295,000	
Early retirement					<u>83,579</u>	(1,378,579)
Accrued interest payable						<u>(11,331)</u>
Net assets, July 1, 2003, as restated						<u>\$ 2,842,692</u>



### **Required Supplementary Information**

CORNING COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN BALANCES - BUDGET AND ACTUAL (GAAP BASIS) - ALL GOVERNMENTAL FUNDS  
AND PROPRIETARY FUND  
REQUIRED SUPPLEMENTARY INFORMATION  
Year Ended June 30, 2004

	Governmental Funds Actual	Proprietary Fund Actual
Revenues:		
Local sources	\$ 2,379,340	87,556
Intermediate sources	-	-
State sources	2,573,835	3,333
Federal sources	322,577	103,670
Total revenues	<u>5,275,752</u>	<u>194,559</u>
Expenditures:		
Instruction	3,033,323	-
Support services	1,302,685	-
Non-instructional programs	12,393	182,677
Other expenditures	502,280	-
Total expenditures	<u>4,850,681</u>	<u>182,677</u>
Excess (deficiency) of revenues over (under) expenditures	425,071	11,882
Other financing sources	<u>270</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	425,341	11,882
Balances beginning of year	<u>1,117,544</u>	<u>85,252</u>
Balances end of year	<u>\$ 1,542,885</u>	<u>97,134</u>

See accompanying independent auditor's report.

Total Actual	Budgeted Amounts		Variance Favorable (Unfavorable)
	Original	Final	
2,466,896	2,245,985	2,245,985	220,911
-	1,200	1,200	(1,200)
2,577,168	2,737,961	2,737,961	(160,793)
426,247	188,355	188,355	237,892
5,470,311	5,173,501	5,173,501	296,810
3,033,323	3,391,722	3,391,722	358,399
1,302,685	1,586,753	1,586,753	284,068
195,070	187,100	207,100	12,030
502,280	443,793	518,793	16,513
5,033,358	5,609,368	5,704,368	671,010
436,953	(435,867)	(530,867)	
270	-	-	
437,223	(435,867)	(530,867)	
1,202,796	1,022,916	1,022,916	
1,640,019	587,049	492,049	

CORNING COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
Year ended June 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the modified accrual basis. Encumbrances are not recognized on the modified accrual basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$95,000.

During the year ended June 30, 2004, disbursements did not exceed the amounts budgeted.

### **Other Supplementary Information**

CORNING COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 June 30, 2004

	Student Activity	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 65,581	124,260	189,841
Receivables:			
Property tax:			
Current year delinquent	-	1,889	1,889
Succeeding year	-	128,063	128,063
Accrued interest	-	157	157
Due from other governments	-	24,964	24,964
<b>Total assets</b>	<b>\$ 65,581</b>	<b>279,333</b>	<b>344,914</b>
<b>Liabilities and Fund Equity</b>			
Liabilities:			
Accounts payable	\$ 849	4,590	5,439
Deferred revenue:			
Succeeding year property tax	-	128,063	128,063
Total liabilities	849	132,653	133,502
Fund equity:			
Fund balances:			
Unreserved, undesignated fund balance	64,732	146,680	211,412
<b>Total liabilities and fund equity</b>	<b>\$ 65,581</b>	<b>279,333</b>	<b>344,914</b>

See accompanying independent auditor's report.

CORNING COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 June 30, 2004

	Student Activity	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	128,404	128,404
Other	164,924	538	165,462
State sources	-	892	892
Federal sources	-	34,964	34,964
Total revenues	164,924	164,798	329,722
Expenditures:			
Current			
Instruction:			
Other instruction	161,406	-	161,406
Support services:			
Plant operation and maintenance	-	9,700	9,700
Student transportation	-	52,313	52,313
Other expenditures:			
Facilities acquisition	-	100,177	100,177
Total expenditures	161,406	162,190	323,596
Excess of revenues over expenditures	3,518	2,608	6,126
Fund balance beginning of year	61,214	144,072	205,286
Fund balance end of year	\$ 64,732	146,680	211,412

See accompanying independent auditor's report.

## Schedule 3

CORNING COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 Year ended June 30, 2004

Account	Balance Beginning Of Year	Revenues	Expenditures	Balance End of Year
High School Drama/Musical	\$ 2,366	2,700	2,921	2,145
Vocal Music	649	6,552	6,594	607
Junior/Senior High Band	-	896	896	-
K-6 Band	26	1,127	1,153	-
Tournament Account	1,603	10,397	10,235	1,765
Athletics-General	1,352	14,252	5,311	10,293
Cross Country	-	955	955	-
Tennis	-	736	736	-
Golf	-	935	935	-
Boys Basketball	-	5,374	5,374	-
Football	-	8,356	8,356	-
Baseball	264	2,345	3,596	(987)
Boys Track	-	2,511	2,511	-
Wrestling	-	2,674	2,674	-
John Harris Tourney	3,238	8,316	3,887	7,667
Girls Basketball	-	4,639	4,639	-
Volleyball	-	4,925	4,925	-
Softball	124	3,708	3,790	42
Girls Track	-	3,039	3,039	-
Art	377	-	-	377
High School Book Fair	1,019	-	-	1,019
K-6 Book Fair	4,346	4,508	3,355	5,499
Cheerleaders	481	1,708	2,401	(212)
FFA	5,793	18,923	18,382	6,334
FHA	21	-	-	21
Junior High Greenhouse	179	-	-	179
Industrial Arts	131	870	532	469
Math Club	40	-	-	40
Peer Helping	118	-	-	118
K-6 Special Needs	948	101	114	935
Foreign Language Club	20	-	-	20
TAG	31	50	50	31
Class of 2003	1,337	(1,337)	-	-
Class of 2004	1,654	2,085	1,638	2,101
Class of 2005	59	7,920	5,964	2,015
Class of 2006	-	4,903	4,791	112
Class of 2007	-	162	162	-
Junior High Student Council	416	661	535	542
Student Senate	468	4,736	5,104	100
Junior High Teacher's Lounge	220	1,169	1,314	75
Touch	79	-	-	79
VoAg	462	31	-	493
Y-Teens	2,656	4,470	6,753	373
Yearbook	2,716	7,749	10,222	243
Activity Tickets	-	6,240	6,240	-
Interest on investments	5,682	298	878	5,102
School Pictures	-	640	80	560
High School Pop Fund	1,363	2,526	2,375	1,514



## Schedule 3

CORNING COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 Year ended June 30, 2004

Account	Balance Beginning Of Year	Revenues	Expenditures	Balance End of Year
Wells Tech	71	-	-	71
K-6 Student Council	295	383	383	295
Previous Senior CI Monies	1,215	-	-	1,215
High School Communiters	1,284	65	833	516
Corning Cruisers	75	-	-	75
Library	444	716	-	1,160
District FFA	176	2,715	2,891	-
Ryan Science	847	-	847	-
High School Horticulture	3,185	1,662	1,169	3,678
K-6 Box Top	529	2,717	1,324	1,922
3rd Grade Landscape	1,179	-	-	1,179
Alumni Newsletter	10,883	3,439	9,919	4,403
Adult Ed-Guidance	51	-	51	-
Special Projects	244	300	419	125
K-6 Teacher's Lounge	498	77	153	422
Total	\$ 61,214	164,924	161,406	64,732

See accompanying independent auditor's report.

CORNING COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -  
 AGENCY FUND  
 Year ended June 30, 2004

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash	\$ 4,164	15,021	16,602	2,583
Receivables:				
Accounts	31,456	-	31,456	-
<b>Total assets</b>	<b>\$ 35,620</b>	<b>15,021</b>	<b>48,058</b>	<b>2,583</b>
<b>Liabilities</b>				
Accounts payable	\$ 35,620	15,021	48,058	2,583
<b>Total liabilities</b>	<b>\$ 35,620</b>	<b>15,021</b>	<b>48,058</b>	<b>2,583</b>

See accompanying independent auditor's report.

CORNING COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
ALL GOVERNMENTAL FUNDS  
FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	2004	2003	2002	2001
Revenues:				
Local sources:				
Local tax	\$ 1,965,807	1,818,126	1,665,347	1,632,690
Tuition	231,150	196,299	179,302	205,779
Other	182,383	205,293	191,802	264,114
Intermediate sources	-	-	-	-
State sources	2,573,835	2,507,573	2,476,944	2,439,730
Federal sources	322,577	313,096	168,733	234,172
Total	<u>\$ 5,275,752</u>	<u>5,040,387</u>	<u>4,682,128</u>	<u>4,776,485</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 1,733,517	1,900,787	1,898,104	1,856,483
Special instruction	811,822	861,851	731,738	690,490
Other instruction	487,984	332,406	275,107	328,555
Support services:				
Student services	234,329	128,292	148,916	134,001
Instructional staff services	31,178	67,828	72,930	82,279
Administration services	477,168	500,588	454,355	449,478
Operation and maintenance of plant services	331,511	328,200	323,207	355,272
Transportation services	228,499	255,123	266,080	296,141
Community service operations	-	-	5,375	9,959
Food service operations	12,393	12,393	11,931	-
Non-instructional programs				
Other expenditures:				
Facilities acquisition	100,177	150,873	149,296	1,147,335
Long-term debt:				
Principal	155,000	150,000	145,000	130,000
Interest and other charges	67,690	75,085	81,685	99,499
AEA flowthrough	179,413	185,506	185,958	185,669
Total	<u>\$ 4,850,681</u>	<u>4,948,932</u>	<u>4,749,682</u>	<u>5,765,161</u>

See notes to financial statements.

**Corning Community School District**



Independent Auditor's Combined Report on Compliance  
and on Internal Control over Financial Reporting

To the Board of Education  
Corning Community School District  
Corning, Iowa

We have audited the financial statements of the Corning Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated September 14, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Corning Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Corning Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Corning Community School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-04 is a material weakness. Prior year reportable conditions have all been resolved except for item II-A-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Corning Community School District and other parties to whom Corning Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Corning Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Van Maanen & Associates, P.C.  
Certified Public Accountants

September 14, 2004

CORNING COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED June 30, 2004

**Part I: Summary of the Independent Auditor's Results**

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.

**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE**

No matters were noted.

**REPORTABLE CONDITIONS**

II-A-04 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were done by the same person.

Recommendation - We realize that segregation of duties is difficult with a limited number of office employees. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

**Part III: Findings and Questioned Costs for Federal Awards:**

Not applicable since less than \$500,000 in federal awards.

**Part IV: Other Findings Related to Required Statutory Reporting:**

IV-A-04 Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.

IV-B-04 Certified Budget - Disbursements for the year ended June 30, 2004, did not exceed the amounts budgeted.

IV-C-04 Questionable Disbursements - No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-D-04 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

CORNING COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED June 30, 2004

- IV-E-04 Business Transactions - No business transactions were noted between the District and District officials or employees.
- IV-F-04 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
- IV-G-04 Board Minutes - No transactions were noted requiring Board approval which had not been approved by the Board.
- IV-H-04 Certified Enrollment - No variances were noted in the basic enrollment data certified to the Department of Education.
- IV-I-04 Deposits and Investments - No instances of noncompliance were noted with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy.

It was noted that the District has investments in Wisconsin Electric Co. and Verizon common stock, investments not in compliance with the District's investment policy. However, it was also noted that the terms of the gifts in 1983 and 1996 require that the stock be permanently held by the District and that only the dividends are available for disbursement for the Effie Akin Award. Therefore, the investments are maintained in compliance with the terms of the gifts.

- IV-J-04 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-K-04 Financial Condition - The Management fund had a deficit balance at June 30, 2004 of \$20,158.

Recommendation - The District should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response - The deficit balance is being looked into and the District hopes to have this deficit balance resolved in the upcoming year.

Conclusion - Response accepted.